



**FACILITY SERVICES FOCUSES ON
OPERATIONAL EFFICIENCY AND SEEKS
PROFITABLE GROWTH IN SELECTED
BUSINESSES**

Petri Myllyniemi, Vice President, Facility Services

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FACILITY SERVICES INTRODUCTION AND FINANCIAL PERFORMANCE

FACILITY SERVICES CREATES GOOD WORKING CONDITIONS

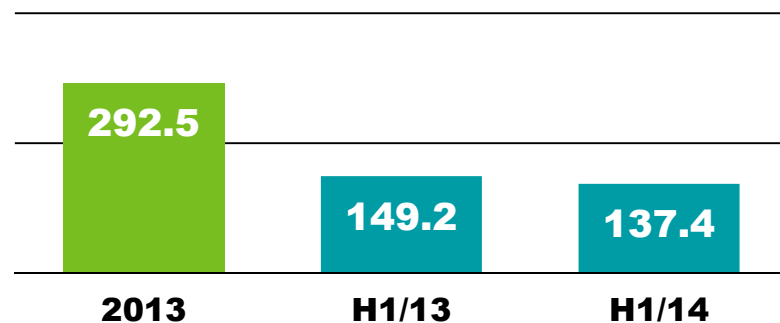


1. Sewer maintenance
2. Secondary raw materials
3. Property maintenance
4. Cleaning
5. Support services
6. Maintenance of technical systems
7. Environmental construction
8. Process cleaning
9. Damage repair services
10. Waste treatment and recycling
11. Waste collection
12. Hazardous waste services

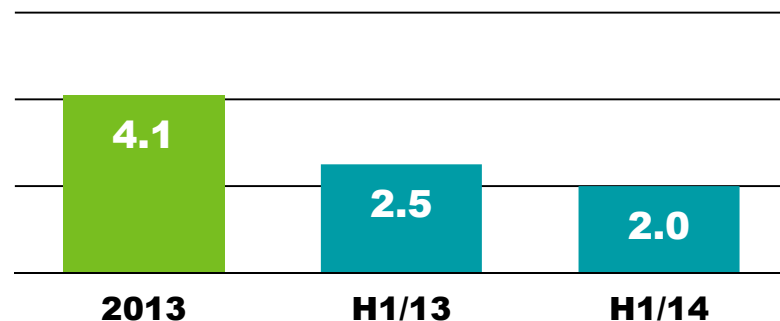
FACILITY SERVICES IS UNDERGOING A REORGANISATION PROCESS TO IMPROVE PROFITABILITY

Financials

Net sales, mEUR



Ebit%, excl. EO items



Recent developments

- The division's net sales declined due to downsizing in Sweden and low demand for seasonal work in property maintenance during the first months of the year
- Profitability was weakened by lower demand for services in the cleaning and property maintenance businesses and by the weak profitability of damage repair services
- The division is undergoing a major reorganisation to adapt to the market conditions. The benefits of the process will start to materialise in the second half of 2014

OPERATING ENVIRONMENT

WE HAVE A STRONG MARKET POSITION RANKING IN THE TOP 2 IN MOST BUSINESSES

Market size and L&T's positions by business lines

	Relevant market size*	Annual market growth	L&T market position
Facility Services	3.1 Billion €	2%	2
Cleaning and facility support s.		< inflation	2
Property maintenance		~ inflation	1
Damage repair services		> inflation	2
Maintenance of technical systems		> inflation	4

* Market positions and sizes based on management estimates, with current business portfolio. Outsourcing potential in municipal sector not included



OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY

Changes in the operating environment

Description

Industrial manufacturing in Finland is not growing

Impact on L&T

Overall industrial manufacturing volume decreases, but outsourcing of non-core functions opens up new opportunities for Facility Services

Demand for office modifications increases

Remote work becomes more commonplace, which creates opportunities in providing modern office solutions

Repair construction volume is growing while new construction remains at low level

Competition in repair construction intensifies as construction companies seek growth outside their traditional domain

E-commerce changes requirements for retail property

Amount of retail property decreases and competition intensifies

Availability of skilled workforce is a challenge

Workforce management, employer image and efficient recruitment continue to grow in importance

CHANGES IN CUSTOMER BEHAVIOUR OPENS UP OPPORTUNITIES FOR FACILITY SERVICES

Changes in customer behaviour

Description

Centralisation and professionalisation of service sourcing

Impact on L&T

Growing requirement for sales competencies and efficiency of operations, also opportunities in providing integrated services

Increased outsourcing of non-core activities in public sector

Business development possibilities in Facility Management and services to the public sector, with growing importance of operational efficiency to cope with price competition

Growing role of technology in Facility Management

Need to grow offering in technological systems maintenance

Need for transparency and reporting

Opportunities for professional services to support our clients



STRATEGY OVERVIEW

FACILITY SERVICES

Increasing requirements of reporting and transparency with regard to energy, property and environmental matters

Customers expect cost efficient service packages

As customers focus on their core businesses, the service provider's responsibility for the outcome increases



FACILITY SERVICES FOCUSES ON OPERATIONAL EFFICIENCY AND SEEKS PROFITABLE GROWTH IN SELECTED BUSINESSES

Main elements of the strategy

We improve our competitive advantage by developing our operating model

- We invest heavily in the development of our operating model
- We harmonise processes and develop workforce management to improve operational efficiency

We grow business with our current customers through service development

- We productise current services to improve operational efficiency and create added value with service packages
- We reduce customer relationship terminations through better customer relationship management

We invest in growth in the maintenance of technical systems

- We strengthen our service offering in our current operating locations
- We acquire special expertise through targeted business acquisitions, but do not pursue extensive acquisitions in the short term

We expand to professional services in the value chain

- We productise current expert know-how into professional services
- We utilise professional services also as a sales channel for other Facility Services

WE INVEST HEAVILY IN OPERATING MODEL DEVELOPMENT TO BUILD COMPETITIVE ADVANTAGE

Competitive advantages

Key initiatives:

- Implementation of a cost-efficient and harmonised operating model
- Workforce management development



Competitive advantage



Key initiatives:

- Further development of energy management and ecological cleaning services
- Improvement of reporting capabilities

- Development of industry-specific services and extensive service packages
- Professional services development



- Employer image development
- Competence development across all personnel groups
- Activities to reduce employee turnover



SUMMARY

FACILITY SERVICES FOCUSES ON OPERATIONAL EFFICIENCY AND SEEKS PROFITABLE GROWTH IN SELECTED BUSINESSES

Facility services is undergoing a reorganisation process to improve profitability

Changes in customer behaviour opens up opportunities for Facility Services

We invest heavily in operating model development to build competitive advantage



**IT'S EASY TO TRANSFORM A
KETCHUP BOTTLE INTO FUEL
OR A TUNA CAN INTO A FORK.
IT'S MUCH HARDER TO CHANGE**

HOW PEOPLE THINK.



WORKING SUSTAINABLY

